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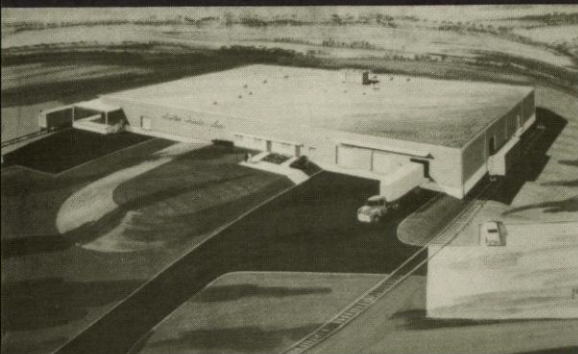
Frito-Lay, Inc.
ANNUAL
REPORT

For the year ended August 26, 1961

FIVE OF THE COMPANY'S FORTY-EIGHT PLANTS AND PRINCIPAL PRODUCTS EACH PRODUCE:



CHAMBLEE, GEORGIA — FRITOS CORN CHIPS, LAY'S POTATO CHIPS AND OTHER SNACK ITEMS



CONYERS, GEORGIA — AUSTEX AND FRITOS BRANDS CANNED FOODS



EL SEGUNDO, CALIFORNIA — ROLD GOLD PRETZELS



CHICAGO, ILLINOIS — NEW ERA AND RUFFLES POTATO CHIPS



LOS ANGELES, CALIFORNIA — FRITOS CORN CHIPS, NEW ERA AND RUFFLES POTATO CHIPS AND CHEE-TOS CORN SNACKS

Frito-Lay, Inc.

ANNUAL REPORT 1961

DIRECTORS

CHAS. E. BEARD
President, Braniff Airways, Inc.
FRED W. CATTERALL, JR.
Vice President for Austex Foods Div.,
Frito-Lay, Inc.
R. V. DANCEY
Senior Vice President, Frito-Lay, Inc.
JACK JOHANNES
Vice President and General Counsel,
Frito-Lay, Inc.
M. E. KILPATRICK
Attorney,
Smith, Kilpatrick, Cody, Rogers & McClatchey
HERMAN W. LAY
President, Frito-Lay, Inc.
WILLIAM B. OLIVER
Senior Vice President for Operations,
Frito-Lay, Inc.

C. B. PETERSON, JR.
Chairman, Trust Committee,
Republic National Bank
H. H. ROUSSEAU
Investments
FLADGER F. TANNERY
Executive Vice President, Frito-Lay, Inc.
LAWRENCE WILLET
Insurance
GEORGE WILLIAMSON
Administrative Vice President,
Frito-Lay, Inc.
JOHN D. WILLIAMSON
Chairman of the Board, Frito-Lay, Inc.

OFFICERS

JOHN D. WILLIAMSON
Chairman of the Board
and Chief Executive Officer
H. W. LAY
President
FLADGER F. TANNERY
Executive Vice President
and General Manager
R. V. DANCEY
Senior Vice President
and Counsel for Marketing
WILLIAM B. OLIVER
Senior Vice President for
Operations
ARCH C. WEST
Vice President for Marketing
W. E. FREEMAN
Vice President for Manufacturing
GEORGE WILLIAMSON
Administrative Vice President

JACK JOHANNES
Vice President and General Counsel
JOHN R. McCARTY
Vice President for Advertising
JACK L. KELLEY
Vice President for Operations —
Western Zone
HAROLD R. LILLEY
Vice President for Operations —
Southeastern Zone
W. LAMAR LOVVORN
Secretary and Controller
EMIL JURICA
Treasurer
ERNESTINE PUTNAM
Assistant Secretary
B. D. PROWELL
Assistant Controller

DIVISIONAL OPERATING VICE PRESIDENTS

WILLIAM E. AMMERMAN
Mid-Atlantic Division
W. DAN BRYANT
Southern Division
FRED W. CATTERALL, JR.
Austex Foods Division
C. GEORGE EDMONDS
Central Division
LYMON M. HALL
Southeastern Division
GEORGE H. HUTCHINGS, JR.
Northwestern Division
RUSSELL C. MILLER
Mid-Central Division

GEORGE P. PARKER
Western Division
R. O. REHKOPF
Mid-Western Division
HARRY M. TUNSTALL
Southwestern Division
R. L. WILLIS, JR.
Eastern Division
FRED J. WEISS
Canadian Division*

*A Wholly Owned Subsidiary

EXECUTIVE OFFICES: Exchange Bank Building, 100 Exchange Park North, Dallas 35, Texas

AUDITORS: Arthur Young & Company, Dallas, Texas

TRANSFER AGENTS: Texas Bank & Trust Co., Dallas, Texas and Trust Company of Georgia, Atlanta, Georgia

The information contained herewith is not given in connection with any sale or offer of, or solicitation of any offer to buy, any securities.

SUMMARY of PROGRESS

	1961	1960
Net sales	\$127,447,421	\$123,737,185
Income before taxes.	10,004,718	8,404,884
Taxes on income	5,325,787	4,327,742
Net income	4,678,931	4,077,142
Earnings per common share (4,179,564 shares)		
Before taxes	2.39	2.01
Provision for income tax	1.27	1.03
Net	1.12	.98
Cash dividends	1,441,509	1,278,464
Shareholders' equity	26,654,397	21,998,586
Book value per share	6.38	5.26
Net working capital.	11,254,527	5,695,302
Current ratio	2.05	1.49
Property, plant, and equipment		
Cost	35,662,391	30,249,694
Accumulated depreciation	12,895,635	11,099,820
Net	22,766,756	19,149,874
Depreciation and amortization	2,886,477	2,481,325
Total assets	46,893,465	38,031,887

The above summary includes for both years the accounts of all companies which have joined Frito-Lay, Inc. by means of "pooling of interests". The accounts of companies acquired otherwise are included from dates of acquisition. The number of shares outstanding and the per share amounts are adjusted to reflect the three-for-two stock split effective April 17, 1961.

TO THE SHAREHOLDERS

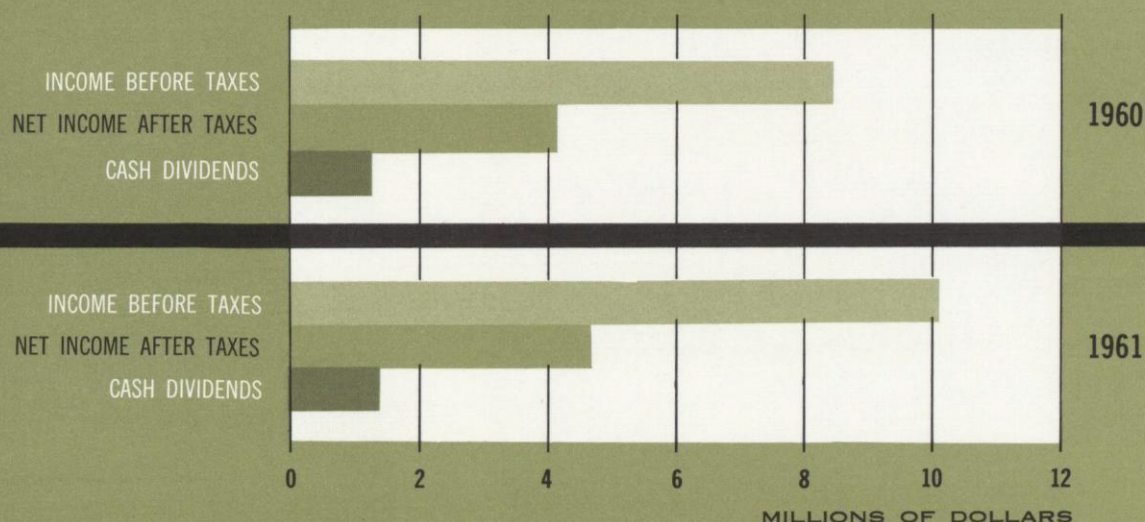
The fiscal year of Frito-Lay, Inc. ending in August was a period marked with distinct progress. It is therefore a pleasure to review here some of the accomplishments of your company since the date of the last annual report.

The consolidations of The Frito Company, H. W. Lay & Company, Inc. and its subsidiaries (Red Dot Foods, Inc., Rold Gold Foods, Inc. and Halter's Pretzels, Inc.); Austex Foods, Inc.; Frito Midwest Company and the acquisitions of the production and sales facilities of Frito Columbus Company and Made Rite Potato Chip Co., Inc. were developments of significant importance, both to the shareholders and to the employees of the newly-formed Frito-Lay, Inc. This combination of employee know-how, sales organizations, production and research facilities, and financial strengths offer for the company immediate and long-range opportunities for growth in the snack and convenience foods industry.

The present organization and its nationwide operations are quite different from those of The Frito Company of a year ago and from those companies that have joined in the consolidation. Frito-Lay, Inc., as presently constituted, has over 9,000 shareholders, more than 7,000 employees and an annual sales volume in excess of \$127,000,000. It has 48 manufacturing plants, approximately 2,800 driver-salesmen, about 111 independent food brokers and a management

team of proven abilities. The company distributes its products through two types of sales organizations. The driver-salesman type makes direct store-door sales and deliveries of the nationally-known Fritos corn chips, various brands of potato chips and other snack items including pretzels, bacon puffs, cheese-coated corn snacks, nut meats, dip mixes, caramel corn, popcorn, and sundry similar items. The independent broker-sales organization distributes lines of canned specialty meats and foods, including chili, tamales, beef stew, spaghetti and meat balls, party dips, and canned potato sticks.

Most of the major policies and practices of the companies combined during the year are quite similar, although a few will require some time to mold into a uniform pattern. The fiscal year ending of all of the companies varied considerably; therefore, the last Saturday in August of each year has been established as the fiscal year ending of Frito-Lay, Inc. The analyses and comments on operations and the financial statements herein have been prepared for the 52-week period from August 28, 1960 to August 26, 1961 for all merged operations, utilizing the "pooling of interests" concept of accounting. This concept assumes that the combined companies had operated as a single unit; therefore, all financial figures prepared for this report and all operations described have been adjusted and combined to reflect the operations of all of the companies as a single operating unit for the entire 52-week period.



INCOME AND CASH DIVIDENDS

The summary to the left includes for both years the accounts of all companies which have joined Frito-Lay, Inc. by means of "pooling of interests". The accounts of companies acquired otherwise are included from dates of acquisition.

SUMMARY OF FINANCIAL RESULTS

Utilizing the "pooling of interests" concept, the net earnings for the 52-week period ending August 26, 1961 were \$4,678,931. This is \$1.12 per share based on 4,179,564 shares outstanding after the exchange of shares involved in the mergers and acquisitions described. Combined earnings for the previous full fiscal year of each of the companies pooled were \$4,077,142, or 98c per share based on the same number of outstanding shares. This represents a 14.8% increase in earnings over the previous fiscal years for the companies combined.

The dividend rate was increased by the board of directors, beginning with the dividend payable in April, 1961, to the equivalent of 50c per share, an increase of 25% over the rate for the previous year. The same dividend rate has been continued since consummation of the merger transactions. Dividends paid during the year by all of the combined companies amounted to \$1,441,509.

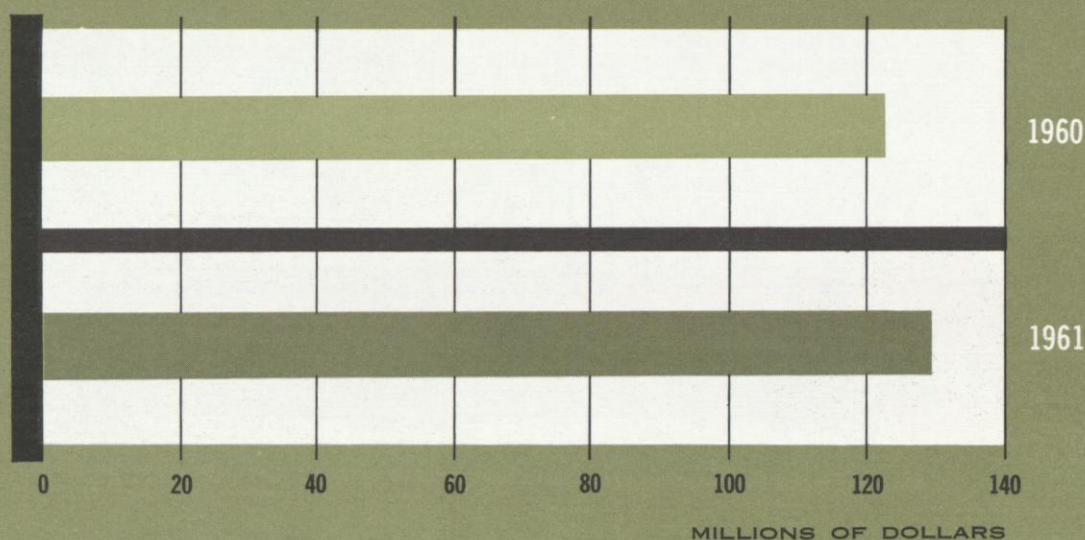
MARKETING

Sales for the fiscal year ended August 26 amounted to \$127,447,421, or 3% over the previous fiscal years of the companies pooled. The company's coordinated marketing programs, based on what management believes to be sound selling practices and fair pricing policies, supported by high quality products and services, improved packaging and merchandising methods and an advertising program designed for both national

and local media and markets, make its products leaders in the snack and convenience foods field.

The marketing policies of the company have been, and will continue to be, aggressive in method and sensitive to consumer demands. These policies, backed by the company's present program of market research and advertising, both on national and local bases, will be followed in an alert and aggressive manner throughout the company's eleven geographical divisions in the United States and its Canadian subsidiary, as well as throughout its product divisions; namely, Austex Foods, Rold Gold Foods (pretzels), Circle M Foods (nut meats), Texas Vegetable Oil Company, and Instant Potato Products.

The company now distributes its nationally advertised Fritos corn chips in all of the major markets of the United States, where, in a number of instances the growth potential is highly promising. Likewise, the company has nationwide distribution for its other major items, such as potato chips, pretzels, cheese corn and nut meats. Considering these factors, there are excellent opportunities for sales expansion, and it will be the company's dedicated purpose for the next few years to create greater consumer preference for all of its products throughout the United States. To assist in this, a project has already been initiated to establish a new corporate symbol through which the consuming public will be able to identify the company



SALES GROWTH

The summary to the left includes for both years the accounts of all companies which have joined Frito-Lay, Inc. by means of "pooling of interests". The accounts of companies acquired otherwise are included from dates of acquisition.

readily and favorably associate it with its various trademarked products.

FACILITIES

All of the companies forming Frito-Lay, Inc. spent approximately \$7,187,000 for facility additions and improvements during the past fiscal year. The company is now in a position to provide fresh, high-quality products to consumers in all parts of the nation. This unique position is made possible by the numerous manufacturing plants strategically located throughout the nation and by virtue of the company's driver-salesman method of distribution. No other company in the industry is so equipped nationally. Extensive facility improvements programs are now under way in Seattle, Indianapolis and Louisville. Other work will start immediately in Fall River, Massachusetts, Chicago, and in the San Francisco Bay area. Because of the combining of operations, some realignment of production schedules are required for economical operations. This is being accomplished, however, in a gradual manner to assure efficient performance. The locations of the company's 48 plants are shown on the map on pages 6 and 7.

RESEARCH

Consumer habits and preferences for food products are constantly changing, similar to those for clothing, housing, transportation and communications. Management, therefore, is vitally concerned with research because of its contribu-

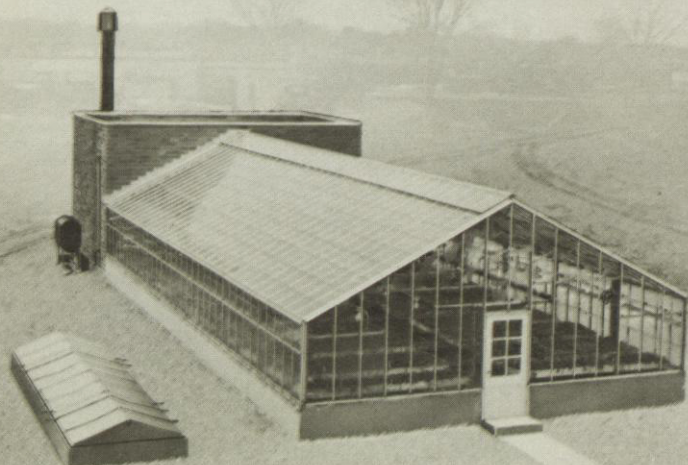
tion to the stability and growth of the company and its ability to cope with the ever-increasing cost of production and distribution. Both The Frito Company and H. W. Lay & Company for a number of years, have followed very aggressive programs of research and in the last few years have marshalled a highly qualified group of researchers with master and doctorate degrees. With the combined research facilities and staffs of these organizations, plus the utilization of outside laboratories, research activities will be greatly augmented under the personal direction of the company's president.

Research is now being done in the fields of new and improved products; packaging materials and packaging design; basic raw materials; consumer taste and product preference; engineering processes; and material handling methods. Also over 10,000 acres of land in Wisconsin and Alabama are utilized by the company for research programs on potato genetics. These programs have been under way for several years. Nearing completion are some significant developments in several research areas, particularly in processing methods and new products.

EMPLOYEES AND ORGANIZATION

The combining of several companies into the single Frito-Lay organization has been done with a minimum of employee disturbance. The major physical move involves several of the former H. W. Lay & Company officials who will move

IN THIS GREENHOUSE SIXTEEN THOUSAND POTENTIAL VARIETIES OF CHIPPING POTATOES CAN BE STARTED EACH YEAR AND TRANSFERRED TO RESEARCH FARM PLOTS IN ALABAMA AND WISCONSIN.



POTATO HARVEST ON A PORTION OF THE COMPANY'S MORE THAN 10,000 ACRES OF FARM LAND. THESE POTATOES BEGIN THEIR JOURNEY TO WAREHOUSES; THEN TO PLANTS WHERE THEY ARE MADE INTO THE FINEST CHIPS.



to Dallas to be a part of the national headquarters organization.

The long-established policy of the company to provide the maximum of employee benefits, consistent with sound financial policies, to a very large extent, has been the same policy of the companies combined during the year. This was particularly true of the Lay company, which had a good program of employee benefits. Some adjustments in most of these benefit plans will be required to integrate them into a single program. These adjustments will be made as quickly as possible and, when completed, benefits will be available to a number of employees who have not had an opportunity to enjoy the personal satisfaction of programs designed to provide retirement income adjusted to their standards of living and to protect them and their families from undue hardships resulting from sickness, accidents, and death.

All companies making up the present Frito-Lay, Inc. had humble beginnings; small in scope, but strong in faith and respect for *people*. Management is therefore proud of the more than 7,000 employees of the company and is grateful for their faith in the company, which has been exhibited by performance of high quality service and by the large number of employees who are now shareholders. The total salaries, wages, commissions and employee benefit costs paid during the year amounted to approximately \$35,750,000,

or equivalent to 28.1% of the company's net sales volume.

OUTLOOK

Management of the company faces the future with confident expectation for continual growth and for increased leadership in the industry. The mergers have brought into being a well-balanced operating team, with proven experience and business courage, capable of carrying forward an aggressive and sound growth program. Management has plans for the expansion of sales both internally and in new areas, including foreign markets where the company now has small but fast-growing interests in Canada and West Germany. In the year ahead a considerable amount of time will be devoted to solidifying the operations that have been joined, and executive management will continue its vigilant search for opportunities of growth and expansion, consistent with sound financial policies but always with the needs and desires of shareholders, employees and consumers as guides in this search.

John D. Williamson
CHAIRMAN OF THE BOARD

Samuel A. Lay
PRESIDENT



DISTRIBUTION OF THE 1961

SALES DOLLAR

63.2%

Raw materials, manufacturing costs, distribution and administrative expenses

1.1%

Dividends

2.5%

Earnings retained for future growth

5.1%

Taxes

28.1%

Employee compensation and benefits



Plants, major distribution centers and offices of Frito-Lay, Inc. and its subsidiaries within the continental United States and South-eastern Canada are located on the above map. Principal trademarks of the company's products are shown to the left of the map. The major distribution centers supply five or more driver-salesmen type routes.



- ★ HEADQUARTERS OFFICE
- ★ D GEOGRAPHICAL SNACK DIVISION OFFICE
- ★ D PRODUCT DIVISION OFFICE
- PLANT
- MAJOR DISTRIBUTION CENTER

OTHER OPERATIONS:

LICENSEES:

For Fritos corn chips

SO GOOD POTATO CHIP
COMPANY, ST. LOUIS, MO.

FRITO COMPANY OF
HAWAII, LTD.,
HONOLULU, T.H.

AFFILIATED PLANTS IN:

NEU-ISENBURG/FFM.,
NEUBURG/DONAU
GOLDENSTEDT/OLD.,
WEST GERMANY

INDEPENDENT DISTRIBUTOR IN:

PUERTO RICO

Prito-Lay, Inc.

COMBINED BALANCE SHEET

(NOTE 1)

August 26, 1961

ASSETS

Current assets:

Cash		\$ 7,510,907
Receivables, less \$174,486 allowance for losses and discounts		6,296,476
Inventories, at lower of cost (first-in, first-out or average basis) or market:		
Finished goods	\$ 3,660,035	
Raw materials, supplies and other	3,864,349	7,524,384
Prepaid expenses		670,554
Total current assets		<u>22,002,321</u>
Property, plant and equipment, at cost (Note 2)	35,662,391	
Less accumulated depreciation	12,895,635	22,766,756
Trademarks, patents, formulas, etc.		1
Deferred charges and other assets		2,124,387
		<u>\$46,893,465</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable (Note 4)	\$ 275,253
Accounts payable and accrued liabilities	6,761,952
Federal income taxes	3,284,522
Long-term debt due within one year	426,067
Total current liabilities	<u>10,747,794</u>
Long-term debt due after one year (Note 3)	8,639,712
Deferred federal income taxes	851,562

Shareholders' equity (Note 5):

Common stock, \$2.50 par value; 5,000,000 shares authorized, 4,179,564 shares outstanding (Note 4)	\$10,448,910	
Retained earnings (Note 3)	16,205,487	26,654,397
		<u>\$46,893,465</u>

See accompanying notes.

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

(NOTE 1)

52 weeks ended August 26, 1961

Net sales	\$127,447,421
Cost of sales	75,743,859
Gross profit	51,703,562
Selling, delivery, general and administrative expense	41,405,076
Operating profit	10,298,486
Interest expense	(404,545)
Miscellaneous income—net	110,777
Income before federal income tax	10,004,718
Provision for federal income tax (includes \$320,000 deferred tax)	5,325,787
Net income	4,678,931
Retained earnings at beginning of year (Note 5)	12,843,305
	17,522,236
Other changes (Note 5):	
Cash dividends	(1,441,509)
Proceeds of life insurance	400,000
Sundry	(275,240)
Retained earnings at end of year (Note 3)	<u>\$16,205,487</u>

See accompanying notes.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors, Frito-Lay, Inc.:

We have examined the combined balance sheet of Frito-Lay, Inc. (formerly The Frito Company) and subsidiaries at August 26, 1961 and the related combined statement of income and retained earnings for the 52 weeks then ended. Our examination of the accounts of The Frito Company and its subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of other certified public accountants with respect to their examination of the financial statements of H. W. Lay & Company, Inc. and subsidiaries (merged into The Frito Company on September 22, 1961), whose assets, sales and net income represent a substantial portion of the combined totals.

In our opinion, based upon our examination and the report of other certified public accountants referred to above, the statements mentioned above present fairly the combined financial position of Frito-Lay, Inc. and subsidiaries at August 26, 1961 and the combined results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Dallas, Texas
November 18, 1961

NOTES to FINANCIAL STATEMENTS

1. ACQUISITIONS AND PRINCIPLES OF COMBINATION

On April 28, 1961, Austex Foods, Inc. was merged into The Frito Company and on August 16, 1961, all of the outstanding stock of Frito Midwest Company was acquired by The Frito Company. On August 22, 1961 a plan and agreement of merger was entered into, which was consummated September 22, 1961, at which time H. W. Lay & Company, Inc. was merged into The Frito Company (which changed its name to Frito-Lay, Inc. and changed its fiscal year from the calendar year to one ending on the last Saturday in August). Prior to the merger, on May 5, 1961, all of the outstanding stock of Red Dot Foods, Inc. was acquired by H. W. Lay & Company, Inc. For shares issued in connection with these transactions, see Note 5. These transactions have been accounted for as poolings of interests and accordingly, the combined financial statements include for the entire 52 weeks ended August 26, 1961, the accounts of The Frito Company and its subsidiaries, Austex Foods, Inc., Frito Midwest Company, H. W. Lay & Company, Inc. and its subsidiaries and Red Dot Foods, Inc. Net income for the prior year was \$4,077,142 based on combining the net income of the constituent companies for their last full fiscal year.

The operating assets of Rold Gold Foods, Inc., Made Rite Potato Chip Co., Inc. and Frito Columbus Company were purchased as of May 5, 1961, July 1, 1961 and July 27, 1961 respectively for cash, promissory note, assumption of liabilities and 19,323 shares of common stock. The operations of these companies have been included from acquisition dates and did not have a significant effect on results for the year.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at August 26, 1961 and the related accumulated depreciation were as follows:

	Cost	Depreciation
Land	\$ 1,811,472	
Buildings	9,838,773	\$ 1,837,631
Machinery and sundry equipment	18,005,710	7,465,763
Transportation equipment.	6,006,436	3,592,241
	<u>\$35,662,391</u>	<u>\$12,895,635</u>

Depreciation and amortization provided during the year amounted to \$2,886,477.

3. LONG-TERM DEBT

Following is a summary of long-term debt at August 26, 1961:

5½% unsecured promissory note due March 1 of each year; \$150,000 in 1965 and 1966 and \$380,000 in 1967 through 1981	\$6,000,000
4½% unsecured notes due September 24, 1962	1,000,000
5% general mortgage bonds due \$245,435 each September 1 to 1964	981,740
5½% first mortgage note due \$33,000 each November 15 to 1970	334,000
Various instalment notes and contracts	750,039
	<u>9,065,779</u>
Portion due in one year	426,067
Portion due after one year	<u>\$8,639,712</u>

The loan agreement relating to the \$6,000,000 unsecured promissory note places certain restrictions on the payment of cash dividends and the purchase of the company's stock and requires the maintenance of net working capital of \$3,500,000. At August 26, 1961, \$2,956,831 of retained earnings was free of the most restrictive of the above provisions.

4. STOCK OPTIONS

At August 26, 1961, (after adjustment for stock splits and the Plan and Agreement of Merger with H. W. Lay & Company, Inc.) officers and key employees held options to purchase 337,662 shares of common stock at prices ranging from \$4.62 to \$38.00 per share. Of this total, options on 60,984 shares were exercisable at that date; the balance becomes exercisable on varying dates through fiscal year ending in 1967. During the year ended August 26, 1961, options were exercised on 53,744 shares at prices from \$4.62 to \$10.42. At August 26, 1961, under the company's stock option plan adopted in 1957, additional options as to 208,852 shares of the authorized but unissued common stock may be granted in the future. No charge has been made against income in accounting for stock options.

Notes payable include \$210,000, arising from an acquisition, as to which the holder has an option exercisable from January 1, 1962, to July 31, 1962, to take any or all of such indebtedness in shares of Frito-Lay Inc. at \$36.00 per share.

5. SHAREHOLDERS' EQUITY

Following are the details of changes in shareholders' equity during the year:

	Number of \$2.50 par value Frito- Lay, Inc. shares outstanding	Common stock	Capital in excess of par	Retained earnings	Total
Balances at beginning of year (See Note 1):					
The Frito Company and subsidiaries	1,616,130	\$ 4,040,325	\$1,643,064	\$ 7,053,317	\$12,736,706
Austex Foods, Inc.	—	817,980	—	373,921	1,191,901
Frito Midwest Company	—	90,000	—	291,171	381,171
H. W. Lay & Company, Inc. and subsidiaries	—	356,491(a)	2,086,257	3,819,648	6,262,396
Red Dot Foods, Inc.	—	121,164	—	1,305,248	1,426,412
	<u>1,616,130</u>	<u>5,425,960</u>	<u>3,729,321</u>	<u>12,843,305</u>	<u>21,998,586</u>
Stock splits:					
The Frito Company, 3 for 2	808,065	2,020,162	(1,860,791)	(159,371)	—
H. W. Lay & Company, Inc., 5 for 4	—	88,813	(88,813)	—	—
Treasury shares purchased—Austex Foods, Inc.	—	(1,740)	—	—	(1,740)
Transactions giving effect to poolings of interests (See Note 1):					
Shares issued in connection with merger of Austex Foods, Inc. (\$2,930 in cash paid in lieu of fractional shares)	69,680	(642,040)	639,110	—	(2,930)
Shares issued in exchange for all outstanding stock of Frito Midwest Company	62,500	66,250	(66,250)	—	—
Shares to be issued in connection with merger of H. W. Lay & Company, Inc. (\$31,626 cash to be paid in lieu of fractional shares), approximate	1,543,000	3,389,696	(3,390,453)	(30,869)	(31,626)
Shares of H. W. Lay & Company, Inc. (45,000) issued in connection with merger of Red Dot Foods, Inc.	—	(98,664)	98,664	—	—
Shares issued on exercise of employees' stock options (See Note 4)	53,744(b)	134,360	133,831	—	268,191
Shares issued on various acquisitions, including territorial distribution contracts (See Note 1)	26,445(b)	66,113	808,715	—	874,828
Sundry costs re stock issues	—	—	(3,334)	(85,000)	(88,334)
Proceeds of life insurance on officer	—	—	—	400,000	400,000
Cash dividends (b):					
The Frito Company, \$0.45 per share.	—	—	—	(1,125,119)	(1,125,119)
Frito Midwest Company, \$7.00 per share	—	—	—	(6,300)	(6,300)
H. W. Lay & Company, Inc.:					
Class A common stock, \$0.35 per share	—	—	—	(300,939)	(300,939)
Common stock, \$0.07½ per share.	—	—	—	(9,151)	(9,151)
Net income	—	—	—	4,678,931	4,678,931
Balances at end of year	<u>4,179,564</u>	<u>\$10,448,910</u>	<u>\$ —</u>	<u>\$16,205,487</u>	<u>\$26,654,397</u>

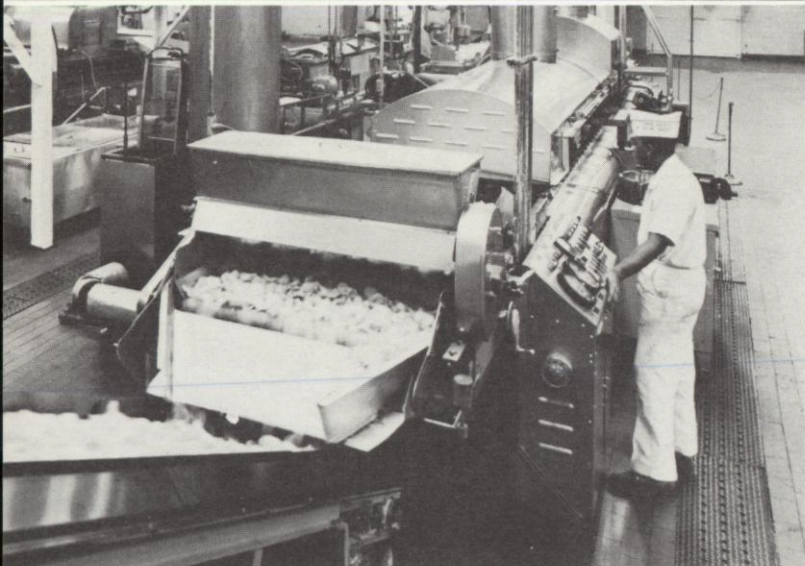
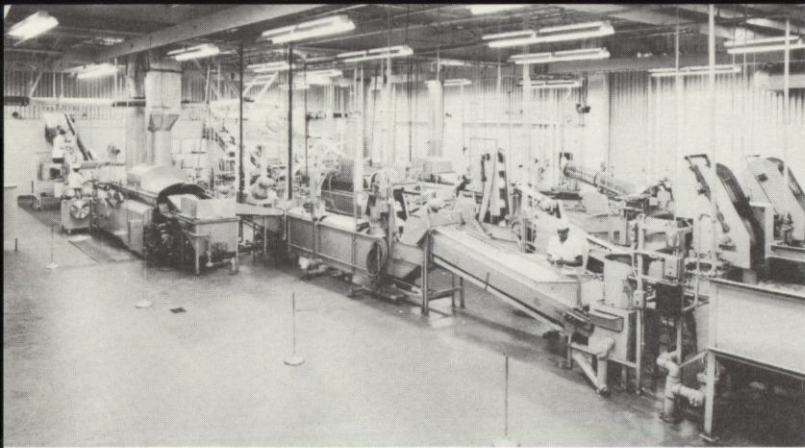
(See Note 4)

(See Note 3)

(a) Includes \$305,847 Class A common stock and \$50,645 common stock (converted to Class A stock on a share for share basis during the year).

(b) Adjusted for stock splits.

Amounts in parentheses represent deductions.



TOP ABOVE: Retail outlets all over the United States are serviced by driver-salesman trucks like these. They are familiar sights wherever company products are sold.

ABOVE: Fleets of over-the-road vans make daily distribution of company products from plants to distribution centers in all parts of the country.

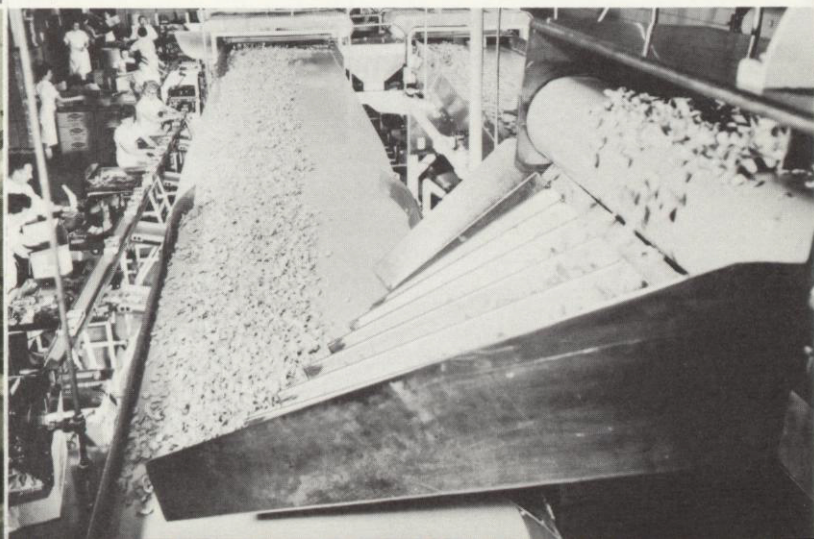
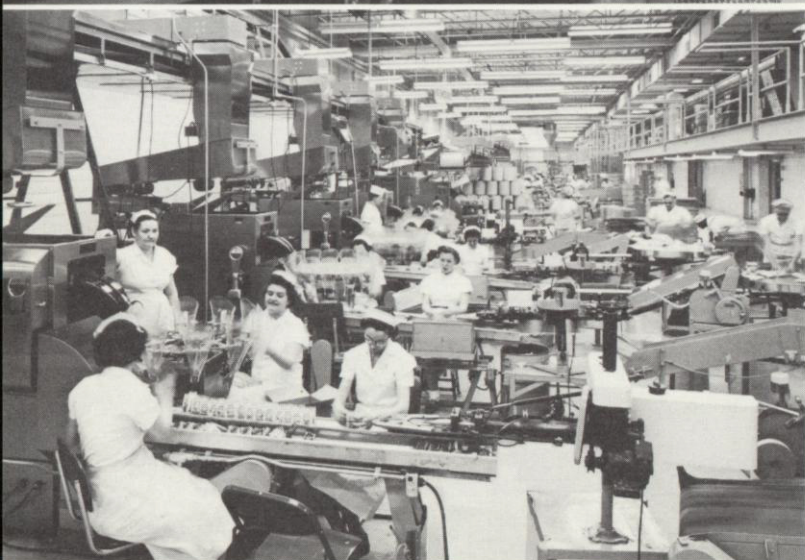
TOP LEFT: Automatic potato chip machines can process 1,000 pounds or more of chips an hour — with unpeeled potatoes going in and finished chips coming out.

UPPER LEFT: The machines peel, wash and precision slice the potatoes. Then excess starch is rinsed away and the chips are cooked a rich, golden color.

LEFT: Potato chips and Fritos corn chips are automatically packed in specially-designed moisture proof bags untouched by human hands.

BELOW LEFT: Quality control laboratories constantly check raw materials and finished products to assure uniform standards of high quality.

BELOW: Enough Fritos corn chips to make more than a million bags each day pass on conveyor belts like this on their way to the packaging machines.

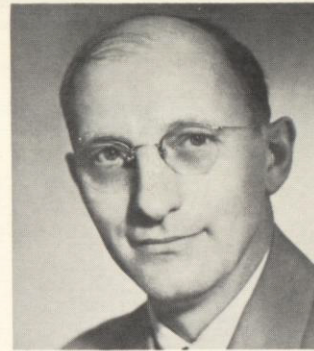




John D. Williamson, Director, Chairman of the Board and Chief Executive Officer, joined The Frito Company in 1954 as Executive Vice President and became President in 1959. His experience includes 25 years in the investment banking field during which he served as state chairman for both the Investment Bankers Association of America and the National Association of Securities Dealers, Inc. He is a director of The Texas Bank & Trust Company of Dallas and is active in the World Trade Committee of the Dallas Chamber of Commerce.



Fladger F. Tannery, Director, Executive Vice President and General Manager, joined The Frito Company in 1957 as Senior Vice President and was elected Executive Vice President in 1959. Previously, he was a general partner of Arthur Young & Company, international public accountants and consultants; First Assistant Controller of Humble Oil & Refining Company; Colonel, U. S. Army Air Force (Director of Contract Audit Division); First Assistant State Auditor of the State of Texas; Associate Professor of Accounting of The University of Texas; and served as president of the Texas Society of Certified Public Accountants.



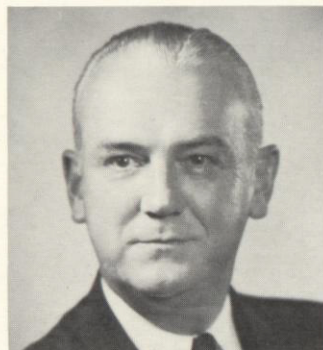
R. V. Dancy, Director and Senior Vice President, was co-founder and Vice President of Nicolay-Dancy, Inc., which merged with The Frito Company in 1958. As a pioneer in the manufacture of potato chips, he has been instrumental in the development of the industry by means of his staunch support of high quality products and of the driver-salesman method of distribution. He is a past president of the National Food Distributors Association and a leader in the advancement of the Potato Chip Institute International.



Herman W. Lay, Director, President and Chairman of The Policy and Planning Committee, was the founder and president of the former H. W. Lay & Company, Inc., Chamblee, Georgia. His career in the snack field began as a route salesman in Nashville in 1932. He is a director of the Third National Bank, Nashville, Tennessee, and the Bank of Georgia, Atlanta; a past president of the Potato Chip Institute International; a director and member of the General Management Planning Council of the American Management Association; and a charter member of the President's Forum and the President's Professional Association.

POLICY & PLANNING COMMITTEE

The members of this committee, whose pictures appear on this page, are responsible for formulating and recommending to the Board of Directors basic objectives of the company; for the design of the company's organizational pattern; for the establishment of its policies and its long-range plans; and for providing counsel to operating management in its creation of specific methods, procedures and practices to assure day-to-day attainment of these objectives. Within the membership of this committee is a wide range of business experience and proven qualities of management leadership and administrative ability.



William B. Oliver, Director and Senior Vice President for Operations, served as Executive Vice President of H. W. Lay & Company, Inc., which he joined in 1939 as Secretary-Treasurer. He became Vice President in Charge of Sales in 1946 and Executive Vice President in 1950. He is Chairman of the Board of the Peachtree Bank and Trust Company, Atlanta, Georgia, and a director of the First American Investment Corporation. He is also a past president of the Potato Chip Institute International.



George Williamson, Director and Administrative Vice President, was Vice President, Secretary-Treasurer of H. W. Lay & Company, Inc., which he joined in 1942. His experience includes supervision of finance and accounting with National Life and Accident Insurance Company. He is a director of the DeKalb National Bank and the Southern Syndicate, both of Atlanta, Georgia, and is a member of the board of the Controllers Institute of America.



Arch C. West, Vice President for Marketing, joined The Frito Company in 1960. Prior to joining the company he accumulated vast experiences in sales and merchandising as Marketing Director of the Foods Division of Lever Bros.; as Sales and Product Manager with Standard Brands; as National Sales and Advertising Director of Comstock Foods, Inc.; and, as Merchandising Executive with Young and Rubicam, Inc., advertising agency.

